

America's Small Business Resource

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From Checkout Line to Corner Office

Supermarket Entrepreneur Turns to SBA, Sales Increase to \$16M and Then Some

You might have seen him working the cash register, but he isn't just any cashier. He might even have bagged your groceries, but he isn't just any bagger. Although the checkout line is where he started, today he owns several stores in one of the largest supermarket chains in Puerto Rico.

That's right; we're talking about Juan Barreto, responsible for the success of Econo Supermarkets.

Things have changed a little for Juan since his grocery-bagging days. Let's take a trip down memory lane, shall we?

It was 1964 when Juan worked as a bagger at a supermarket in his hometown of Carolina, Puerto Rico, but it didn't take him long to reach the position of grocery manager. Twenty years down the road, a supermarket in dire straits called Econo Centro IV, in Trujillo Alto, grabbed his attention and, although a risky move, Juan saw nothing but opportunity and set out to purchase what would become his first store and the foundation for Empresas Barreto, Inc.

The businessman obtained a \$10,000 loan, assumed all financial and administrative liabilities --\$385,000 total-- and continued operations with 15 employees, working an average of 18 hours a day during the following five years to comply with his financial obligations.

"There were days when suppliers would arrive and there was no money to pay for merchandise, and many were on one hundred and twenty day terms," Juan recalls. "But since I had worked in that industry for so long, many of the vendors knew me, and gave me the break that I needed. I worked hard at that supermarket, very hard for five years, when it seemed the only other place I visited was the barbershop."

His dedication must have paid off. At the time of purchase, Econo Centro IV was only generating \$615,000 in sales. By 1990, sales had already reached \$1.3 million, and debts had gone down to \$192,000. Around that same time, another supermarket --Econo Centro II--presented a similar situation, and Juan applied for another loan to buy it and continued to increase his sales.

Small Business: America's Job Creators

By Hector V. Barreto
Administrator, U.S. Small Business Administration



One thing is becoming crystal clear as our economy continues along its path of recovery: The spirit of American entrepreneurship is alive and well. Our nation's small business owners are risk-takers whose vision, ingenuity and perseverance have revitalized the national economy and continue to make our nation strong.

Economic growth and job creation improve the life of all Americans, and the U.S. Small Business Administration recognizes the tremendously important role that the small business community plays in reaching those goals.

As President George W. Bush has often said, "the role of government is to create an environment in which the entrepreneurial spirit flourishes." Those are not just words. Last spring, the President signed into law his Jobs & Growth Tax Relief Act, which has helped create such an environment by dramatically cutting taxes for America's small businesses. The President understands that entrepreneurs make tremendous contributions to our economy and our nation, and the Jobs and Growth Act recognizes the key role they play in our economic vitality.

The Jobs and Growth Act is delivering specific relief to small businesses, giving them a new opportunity to thrive, grow and create jobs.

It encourages small business owners to purchase the technology, machinery, and other equipment they need to expand by providing an increase in the expensing for new investment from \$25,000 to \$100,000. It also reduces marginal tax rates, so that small business owners have more precious capital to reinvest in their own companies. This is a pro-growth plan that is already growing our economy and creating new jobs across America.

This help for small business is vital for our entire country. When I speak to small business owners across the country, I frequently tell them that 'small business isn't small.' America's 23 million small businesses make up a huge part of our national economy, and when they thrive, so does the economy.

Let's consider the facts: Small businesses account for two out of every three net new jobs created in this country. Small businesses hire a larger proportion of workers that large corporations might be less likely to employ – workers who are younger or older than the national norm, women, workers formerly on public assistance, and those who prefer to work part-time.

Small businesses represent 90 percent of all employers in the United States and 53 percent of the private sector workforce. They receive almost 23 percent of all federal contract dollars, provide 55 percent of innovations, and account for 51 percent of private sector output.

President Bush is committed to fostering business formation and job creation in the small business sector, and the SBA is here to help carry out his ambitious agenda. We have set ambitious goals for SBA offices nationwide to sharply increase lending, technical assistance and government contracting opportunities, particularly to America's traditionally underserved markets, including women, minorities and veterans. The SBA is uniquely positioned to meet these challenges through a variety of lending, counseling, business development and procurement assistance programs.

Over the past 50 years, the SBA has helped more than 20 million entrepreneurs start, grow and expand their businesses, and has supported \$270 billion in capital access for those entrepreneurs. As small businesses continue to drive America's economic expansion and job creation, the SBA will continue to serve as their small business resource.

For more information about the SBA and its programs for small business owners, you can visit our Web site at <http://www.sba.gov> or visit the SBA District office nearest to you.

SBA ANNOUNCES ONLINE REGISTRATION FOR NATIONAL SMALL BUSINESS WEEK

Online attendee registration for the U.S. Small Business Administration's *SBA Expo '04: Celebrating National Small Business Week* is now open.

The annual celebration honoring the nation's leading small business entrepreneurs will be held in Orlando, Fla., May 19-21, 2004, at the Orange County Convention Center. Highlights of *SBA Expo '04*, co-sponsored by SCORE, "Counselors to America's Small Business," include the announcement of the *National Small Business Person of the Year*.

"This year's Small Business Week promises to be an outstanding event," Administrator Hector V. Barreto said. "*SBA Expo '04* will honor America's small business owners and their contributions to our economy and our country. It will also be an opportunity for small business owners from across the country to gather together, learn from each other, compete for contracts, and participate in three full days of events that can help them grow their own businesses."

Interested small business owners, business organizations, and other individuals may now register for *SBA Expo '04* events online at www.sba.gov/50.

Exhibitor registration is also available. Complete information on Expo events is available on the SBA's conference Web site, and will be updated regularly with new event information. Registrants who complete the process by April 17 will be rewarded with an "early bird" discount.

SBA Proposes Legislation to Add \$3 Billion to 7(a) Loan Program

Solution Provides More Loans, Stability to Program, and Removes Cap

The U.S. Small Business Administration announced a new legislative proposal that is expected to add at least \$3 billion in lending authority to the 7(a) loan program this year. If enacted, the bill would allow the agency to increase lending authority by more than 30 percent, providing money for thousands more small loans in fiscal year 2004. The bill would also remove the current lending cap of \$750,000, and allow loans up to \$2 million.

"This proposal builds on the success of the SBA Express program, and by significantly increasing 7(a) lending authority, will allow the SBA to reach out to tens of thousands more small business owners every year," SBA Administrator Hector V. Barreto said. "The legislation provides more money for small business loans this year, at a time when the program is facing unprecedented demand."

By expanding the SBA Express program, which allows lenders to apply for 7(a) loans using their own forms and processes instead of lengthy and burdensome government forms, the entire 7(a) program would move to a lower guaranty rate of 50 percent. This reform would allow the agency to increase lending authority by over 30 percent. Based on FY 2003 numbers, that increase could have resulted in more than 22,000 additional loans to America's entrepreneurs. If enacted for FY 2004, the lower guaranty rate and increased number of loans could provide capital to create as many as 500,000 new jobs.

The proposed changes have the added benefit of moving the 7(a) program toward the goal of a permanent zero subsidy level. Preliminary data indicates that if this proposal is passed and signed into law, 7(a) could move to zero subsidy with fees that are below current congressionally mandated rates, making 7(a) loans even more attractive to small business owners and lenders.

SBAExpress –

- Connects borrowers and lenders with an innovative and simplified approach to small business financing.
- Makes it even faster and easier for lenders to provide SBA-guaranteed small business loans of \$250,000 or less.
- Allows many more small business lenders to use the SBA's more efficient and streamlined loan review processes.
- Includes fewer SBA forms and procedures.
- Offers special incentives to lenders that provide very small SBA loans, especially revolving lines of credit.
- Provides centralized processing by the SBA with virtually instantaneous response to the lenders.

“At times it seemed I had one hand tied behind my back --he says—but bit by bit I have accomplished all the goals I set for myself.”

Knowing there was plenty of room for growth and, in order to purchase land and build larger facilities, in 1994 Juan obtained a \$2 million loan under the U.S. Small Business Administration’s (SBA) 504 Certified Development Company (CDC) Program, which provides growing businesses with long-term, fixed rate financing for major fixed assets, such as land, buildings, and equipment.

This program is designed to enable small businesses create and retain jobs; the CDCs portfolio must create at least one job for every \$50,000 of debenture proceeds provided by the SBA. The maximum SBA debenture is generally \$1 million.

Obtaining that loan was the turning point for Juan. He built what is today known as Mega-Expreso Econo. Since this location is so large, Juan closed the first Econo supermarket he had bought years before and moved employees over to the new store.

But that’s not all. His vision led him to become President of the Econo group for more than five years, and under his tenure, the chain increased sales by \$75 million per year. Overall, the chain is now generating over \$500 million in sales per year. More than 3,000 people are directly employed among the 37 franchises and more than 1,200 are indirectly employed.

Several years ago, the increase in revenues the franchise chain generated under Juan’s leadership made possible the investment of

\$40 million in improvements, one of which was the building of a 60,000 square foot structure that serves as a warehouse and allows Econo franchise owners to buy large amounts of inventory at much lower prices.

Juan Barreto’s vision is not limited to having presided over the chain of franchises. His own stores benefit from it as well. Last year, Empresas Barreto opened a third Econo Supermarket and closed its books with \$20 million in sales. Over 300 individuals benefit from working for Juan and more than 10 educational trips have been granted to low income students to help them improve their academic performance.

In Juan’s opinion, however, his greatest achievement has been counting with the support of his wife and three children, all of whom work by his side.

“I’m looking forward to retiring,” he says with a chuckle. “My children grew up here. They work with me and know the business well, but they don’t seem to want to let me leave just yet.”

Apparently so.

On any given Saturday, you may walk into Econo and see Juan working the cash register. He may even bag your groceries, for that matter. One thing is for certain; he has never forgotten his modest beginnings or what it has taken him to get this far.

It has been said that every man is the architect of his own future. Juan Barreto proves that statement day after day.

Authorization for 504 Loan Fees is Extended Through May 21st

President George W. Bush has signed into law H.R. 3915, which extends the 504 fee authority through May 21, allowing the program to continue operating.

The 504 program operates at no cost to the taxpayer, yet in fiscal year 2003 supported nearly \$8 billion in project financing, and over the life of the program has created approximately one million jobs.

The 504 Loan Program is designed to be a job creator – it exists to help small businesses expand and create full time, permanent jobs in their communities. The 504 program provides long-term, fixed-rate financing to small businesses to acquire real estate, machinery or equipment for expansion or modernization.

The loans are delivered through Certified Development Companies, which are private, nonprofit organizations dedicated to helping businesses grow and thrive in their local communities.

In Puerto Rico there are four Certified Development Companies:

COFECC, Marketing Development Corp., North Puerto Rico Local Development Company, and Puerto Rico Business Development Corp.

SCORE CELEBRATES MARCH RECRUITING MONTH

The Service Corps of Retired Executives (SCORE) is looking for new volunteers; active or retired professionals that bring a variety of skills and experience, as well as new ideas, perspectives and energy to its organization. By celebrating March Recruiting Month, SCORE helps increase awareness about the need for community service in the areas on entrepreneurship, and management and technical assistance.

With 11,500 members in 389 chapters nationwide, SCORE counselors provide free, expert advice based on their many years of first-hand experience and shared knowledge on virtually every aspect of business. For more information on SCORE, you may access www.score.org. To find out how you can become a member of the Puerto Rico SCORE Chapter, you may call (787) 766-5001.

UPCOMING EVENTS

Women's Roundtable

Date: March 31
Time: 11:00 AM -1:00 PM
Place: COFECC, San Juan, PR
Call: WBI (787) 726-7045

SBDC / Town Hall Meeting

Date: March 31
Time: 6:00 – 9:00 PM
Place: City Hall, Caguas, PR
Call: (787) 744-8833, ext. 2909

SBA Resources for Veterans

Date: April 2
Time: 8:00 AM -12:00 N
Place: VA Hospital, Ponce, PR
Call: (787) 766-5422

SBA Small Business Workshop

Date: April 14
Time: 9:00 AM
Place: AFC Facilities, Bayamón, PR
Call: (787) 269-2716

SBA Recognized For Creating 'One-Stop' Legal and Regulatory Web Site for Small Businesses

The U.S. Small Business Administration won double honors recently at the annual Excellence.gov awards luncheon.

The agency won top honors for BusinessLaw.gov and was one of 25 award winners for developing a first-of-its kind integrated state business registration and federal Employer Identification Number Web service.

The annual awards recognize e-government projects that are innovative, mature, demonstrate measurable results, impact the agency's mission and can be copied by other organizations. The site, launched in December 2001, was among 90 nominees for the award. BusinessLaw.gov is a one-stop legal and regulatory site built primarily by SBA field attorneys. It helps businesses find, understand and comply with laws and regulations at all levels of government.

The site can be found on the Web at <http://businesslaw.gov> or through the Laws and Regulations section of <http://www.sba.gov> or <http://www.business.gov>.

Covering all 50 states and the Commonwealth of Puerto Rico, BusinessLaw.gov is currently accessed approximately 320,000 times per week for a total of over 20 million times in the past two years, saving businesses an estimated \$100 million annually by making legal and regulatory information available at their fingertips.

"I am proud that this important Web tool is being recognized with this honor," said SBA Administrator Hector V. Barreto. "The creation of BusinessLaw.gov is in keeping with President Bush's mandate that government Web sites be cross-agency and citizen-centered. This resource guide was developed with small business owners – our customers – in mind. Because it provides interagency and intergovernmental information, BusinessLaw.gov simplifies and integrates the way government interacts with businesses.

BusinessLaw.gov epitomizes what the President is demanding of government in his Small Business Agenda, namely tearing down the regulatory barriers to job creation and providing small businesses with the information they need to succeed."

BusinessLaw.gov consolidates and indexes more than 6,500 Web pages containing links to credible sources of information on 39 topics of general interest ranging from the most basic, such as licenses and permits, to the highly specialized, such as e-commerce and exporting.

The site also offers information specific to each state and territory including sections on "Hiring Employees," "Paying Taxes" and "Selecting a Location." It features interactive tools, searchable frequently asked questions and answers, downloadable forms and publications, electronic regulatory compliance guides and links to online transactions.

LOAN PRODUCTION IN PR & USVI (AS OF 2/29/04 - 2/28/03)

Lender / CDC	# of Loans 2004	\$\$\$ Value	# of Loans 2003	\$\$\$ Value
Banco Popular de Puerto Rico ♦	191	\$21,174,091	201	\$14,825,100
Banco Santander Puerto Rico	85	\$10,055,300	49	\$5,516,600
Banco Bilbao Vizcaya Argentaria	104	\$7,126,120	20	\$2,225,700
Doral Bank	4	\$485,000	0	0
Oriental Bank & Trust	3	\$305,000	0	0
Business Loan Center	2	\$1,417,000	1	\$490,000
Eurobank	1	\$310,000	1	\$342,760
Cooperativa Ahorro y Crédito Aguada	1	\$190,000	0	0
Virgin Islands Community Bank	1	\$100,000	0	0
Government Development Bank of VI	1	\$40,000	1	\$50,000
Grow America Fund, Inc.	1	\$30,000	3	\$192,000
Economic Development Bank for PR	0	0	1	\$322,000
Firstbank Virgin Islands	0	0	2	\$215,000
R&G Premier Bank of PR	0	0	2	\$250,000
Scotiabank Puerto Rico	0	0	2	\$255,000
Marketing Development Corp. *	11	\$3,854,000	4	\$1,137,000
COFECC*	4	\$1,623,000	7	\$4,086,000
PR Business Development Corp.*	2	\$855,000	0	0
North PR Local Development *	1	\$236,000	0	0
TOTALS	412	\$47,800,511	294	\$29,907,160

♦Includes Loans in VI

*CDC